Naturhouse Health

LIGHTHOUSE WINNER 2020 Special Mention — European Commission — European Small & Mid-Cap Awards

LIGHTHOUSE INDEPENDENT EQUITY RESEARCH · IEAF

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Naturhouse Health (NTH) is a small family group with headquarters in Madrid (Spain), specialising (c.30 years) in nutrition and the re-education of eating habits (dietetics). With an international presence (c. 80% of revenue; France, Italy and Poland being its core markets). It is managed and controlled by the founding family (77.1% of capital).

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Crystal clear. FCF yield (recurrent) > 10%

A VERY PROFITABLE BUSINESS THAT SUFFERED… from the intensification of competition prior to the Covid-19 crisis (CAGR -3.9% for 2015-2019 revenue, -11.0p.p. EBIT/Revenue), and that has been impacted, as could not be otherwise, by the current health crisis (EUR 56.2Mn in revenues 2020, -31.7% y/y).

…BUT WHICH CAN BOAST OF PROFITABILITY… Its model hinges on a cost-light structure that allows it to control the value chain, minimising the immobilisation of resources and maximising returns (ROCE > 90% and ROE > 70%, on average -5y; ROE 2020 c. 45% due to the suspension imposed on the payment of dividends).

…AND GENEROUS SHAREHOLDER REMUNERATION, MAINTAINING THE STRENGTH OF THE BALANCE SHEET. NTH's business model generates abundant cash (average cash flow conversion ratio c. 80% of EBIT -3y), that reverts almost entirely to shareholders (average pay-out c. 100% -5y; DVD yield c. 10% 2019). The payment of dividends has been temporarily suspended but we expect this to resume from 2022 (pay out, 85%). A comfortable financial position (Net Cash/Equity at 0.7x 2020) that helps in the search for non-organic growth will be maintained.

AFTER TESTING ITS RESILIENCE (2020), NTH WILL RETURN TO GROWTH, IMPROVING MARGINS… we estimate a CAGR of +9.0% (+3y) for revenue (non-aggressive scenario). Growth in the online channel (absent pre-Covid and a mainstay of the current strategy) will contribute c. 4% of revenue in 2023. We expect the recovery (+1y) of pre-Covid levels (EBIT), and a FCF Yield > 14% +2y (c. +50% vs. -3y). The combination of a light structure (low capital employed) and high operating efficiency explains these levels of profitability that are recurrent.

IN CONCLUSION: NTH combines multiples of c.5x EV/EBIT 2021e and a high FCF Yield vs. the sector (c. -50% and c. x2 respectively). Although the shareholder structure (77.1% in the hands of the founding family) protects the company from potential suitors, this is an insignificant "minus "with respect to the core of NTH's equity story that is underpinned by micro, sector and macro factors that will enable it to grow by c. +10% in revenues (CAGR +3y), recovering (+1y) pre-Covid levels (EBIT) and confirming these multiples.

Market Data

Market Cap (Mn EUR and USD)	97.8	117.5
EV (Mn EUR and USD) (1)	84.0	101.0
Shares Outstanding (Mn)	60.0	
-12m (Max/Med/Mín EUR)	1.93 / 1.55 / 1.17	
Daily Avg volume (-12m Mn EUR)	0.06	
Rotation(2)	14.8	
Refinitiv / Bloomberg	NTH.MC / NTH SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

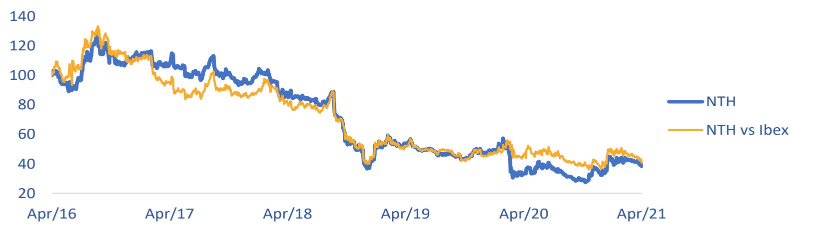
Félix Revuelta & Family	77.1
Free Float	22.9

Financials (Mn EUR)	2020	2021e	2022e	2023e
Adj. nº shares (Mn)	60.0	60.0	60.0	60.0
Total Revenues	56.2	64.3	67.9	72.9
Rec. EBITDA(3)	17.4	20.3	21.4	23.3
% growth	*-24.8*	*16.6*	*5.6*	*9.0*
% Rec. EBITDA/Rev.	*30.9*	*31.5*	*31.5*	*32.0*
% Inc. EBITDA sector(4)	*7.1*	*8.9*	*11.4*	*3.4*
Net Profit	9.4	12.5	13.3	14.6
EPS (EUR)	0.16	0.21	0.22	0.24
% growth	*-29.3*	*33.0*	*6.6*	*10.2*
Ord. EPS (EUR)	0.16	0.21	0.22	0.25
% growth	*-29.0*	*33.5*	*6.6*	*10.2*
Rec. Free Cash Flow(5)	9.7	12.2	13.2	14.3
Pay-out (%)	*0.0*	*0.0*	*85.0*	*85.0*
DPS (EUR)	0.00	0.00	0.19	0.21
Net financial debt	-17.0	-29.3	-30.6	-32.7
ND/Rec. EBITDA (x)	-1.0	-1.4	-1.4	-1.4
ROE (%)	*44.2*	*38.7*	*33.9*	*35.6*
ROCE (%)(5)	*91.9*	*127.1*	*138.0*	*154.4*

Ratios & Multiples (x)(6)				
P/E	10.4	7.8	7.4	6.7
Ord. P/E	10.4	7.8	7.3	6.6
P/BV	3.8	2.5	2.5	2.3
Dividend Yield (%)	*0.0*	*0.0*	*11.5*	*12.7*
EV/Sales	1.49	1.31	1.24	1.15
EV/Rec. EBITDA	4.8	4.1	3.9	3.6
EV/EBIT	5.9	4.8	4.5	4.1
FCF Yield (%)(5)	*9.9*	*12.5*	*13.5*	*14.6*

(1) Please refer to Appendix 3.
(2) Rotation is the % of the capitalisation traded - 12m.
(3) Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 3.5Mn higher due to IFRS 16.
(4) Sector: TR Europe Food Processing.
(5) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.
(6) Multiples and ratios calculated over prices at the date of this report.

Relative performance (Base 100)



Stock performance (%)	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	-8.2	-7.9	15.6	5.2	-56.4	-61.7
vs Ibex 35	-11.5	-14.5	-10.3	-1.9	-50.2	-59.1
vs Ibex Small Cap Index	-7.2	-13.8	-26.2	-1.0	-62.4	-79.5
vs Eurostoxx 50	-12.3	-17.4	-18.4	-6.9	-62.1	-70.0
vs Sector benchmark(4)	-12.6	-13.7	13.7	1.0	-68.3	-71.5

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Refinitiv and Lighthouse

A very profitable business with the potential to resume growth

NTH has managed to become a key player in the European weight loss and management market (> 30y in the market; Europe generated c. 75% of 2020 revenues). The business has high profitability (c. 33.5% EBIT/Revenue 2014). Its model hinges on a cost-light structure that allows it to control the value chain, minimising the immobilisation of resources and maximising returns (ROCE >180% in 2015), all of which explains the company's growth vocation.

The weakness of consumption during the first half of the previous decade (financial crisis), together with tougher competition (logical given the sector's high returns and the maturity of the market) laid the foundations for NTH's corporate restructuring. Domestic turnover (c. 40% of the Group's total in 2013) underwent a turning point in 2014 (EUR 20.9Mn Revenues, -15.3% y/y; c. -7% LFL), resulting in the regrouping of the entire Naturhouse business under the same parent company (2014). In 2015, around a third of capital was placed on the market (the rest remains in the hands of the founding family). The principal objective: relaunch the expansion of the business. Five years after its stock market debut, the question is, what is NTH today? What can be expected from NTH in the immediate future (2021-2023)?

A) 2015-2020: A business on the decline due to tougher competition (Revenues c.-40%; EBIT c. -55%) that has generated high returns -5y (ROE >70%; ROCE >90%)

After the IPO, NTH ramped up its commercial efforts, increasing the number of points of sale c. +20% 2015-2017 (+406 net openings outside Spain). Efforts that have not been reflected in the P/L.

Competition + Covid = C. -40% in revenues 2015-2020…

The decline in revenue accelerated prior to the Covid-19 crisis… The initial stagnation of revenue (-0.6% CAGR 2015-2017) was followed by a decline in turnover, that fell to EUR 82.4Mn in 2019 (-7.1% CAGR -2y; c.-7.3% in points of sale). France and Spain, its main bastions (c. 60% of 2019 revenue), led the fall (-10.6% and -6.3% respectively in sales; c. 60% of the cumulative closures during the period).

…and revenue was impacted, as could not be otherwise, by the irruption of the Covid-19 pandemic… EUR 56.2Mn of revenues in 2020 (-31.7% y/y), after closing 20% of the centres (own and franchises; -54% y/y own centres). Spain concentrated (2020) c. 30% of the points of sale managed, that generated c. 20% of revenues.

…Squeezing margins (-8.4p.p. EBIT/Revenues -5y)…

…which has been amplified in EBIT. This fell to EUR 18.6Mn in 2019 (-42.6% vs. 2015; -11.0 p.p. EBIT/Revenue in the same period), falling below EUR 15Mn in 2020 (-24.0% y/y; c. -55% vs. the year of its market listing). The Group recorded 25.2% EBIT/Revenues in 2020 (+2.6p.p. y/y, despite the Covid crisis).

Although it continues to offer high profitability (> 90% ROCE, c. 45% ROE 2020)

Even so, NTH can boast of profitability… Its business model revolves, mainly, around: 1) the concentration of production in associated companies (< margin volatility), 2) turnover in franchises (c.80% of the sales network) and 3) minimal investment (CAPEX/Revenues c. 1.5%). This structure has resulted in an average (-5y) of > 90% in ROCE and >70% in ROE. The 2020 ROE (c. 45%), was penalised by the regulatory suspension of the dividend.

Generous pay -out (c.100% -5y)

…and generous shareholder remuneration: the abundant cash generated since the market listing (CF conversion ratio: c. 70% of 2020 EBIT; cumulative -5y Rec. FCF of c. EUR 100Mn) has almost entirely reverted to shareholders. Up to 2019 NTH paid out EUR 91.0Mn in dividends (all the profits generated -5y), offering a DVD yield of 11,9% in 2019 (9,7% after adjusting for the regulatory restriction imposed in 2020 on the payment of dividends). One of the highest yields on the market.

And strong balance sheet (0.4x Net Cash/equity -5y)

Maintaining the strength of the balance sheet. The suspension of the dividend in 2020 has led the net cash position to increase sharply (EUR 17Mn, +3.4x vs. -1y), raising the Net Cash/Equity ratio to 0.7x (vs. an average of 0.3x -3y). This is a comfortable position in the search for strategies to grow and defend shareholder remuneration.

B) 2021-2023e: CAGR +9.0% for revenues (2020-2023e) with improved margins, that will allow the recovery (+1y) of pre-Covid levels (EBIT)

Although uncertainty remains high (the prolongation of the pandemic, the rate of the vaccine roll-out, etc.), forecasts still point to economic recovery in 2021 in NTH's core markets (after the shock of 2020). NTH's recent commitment to the digitisation of its business (launch of the online channel in 2020) will contribute to the recovery of the business. Our estimates envisage:

+9% CAGR in Revenues +3y, underpinned by the roll-out of the online channel

The recovery of c. 90% of pre-Covid turnover (+2y). EUR 64.3Mn in revenues in 2021e, thanks to the commercial and digital reinforcement (c. 2% of sales generated by the online channel), rising to EUR 72.8Mn in 2023e (+6.5% CAGR +2y). The growing contribution of the online channel (c. 4% of sales +2y) and the resumption (+1y) of a campaign of expansion (opening of own centres that will gradually be transferred to a franchise regime) will underpin the recovery of revenue. Our numbers include a mix of +2.3% LFL, +1.3% online and +3.0% from the increase in the sales area.

…supporting margin recovery. (+1.0p.p. EBIT/Revenues+ 3y)

Recovering growth in EBIT and improving margins. The leverage provided by the online channel (+2p.p. in its contribution to sales +3y), will result in a gradual improvement in margins (+1p.p. in EBIT/Revenue +3y), that will increase Group EBIT to EUR 20.7Mn in 2023e (+13.4% CAGR +3y).

…Boosting the return (ROCE c. 150% 2023e)

The improvement will accelerate at the NP level… The company's healthy balance sheet will allow it to fully translate improvements in EBIT to NP. In addition, the Group has strengthened the lower part of the P/L by equity accounting its Polish associate Ichem (the group's principal supplier; C. 60% of the total). We expect NP of EUR 14.6Mn in 2023e (+16.0% CAGR +3y), offering a ROCE of c. 150% (c. 1.7x vs. 2020) and a ROE of c. 35%.

…Without neglecting the pay-out (85% +3y)

…translating to a large extent to the dividend (from 2022e). Cash will continue to be abundant in NTH: we envisage growing recurrent FCF (EUR 14.3Mn 2023e, +13.8% CAGR +3y), approaching pre-Covid levels (recurrent FCF Yield of 14.6%). Although NTH intends to resume dividend payments as soon as possible, the prolongation of the pandemic has led us to delay the resumption of dividend payments to 2022e (85% pay-out; c. -15p.p. vs. the historical average), without ruling out this being sooner.

C) Conclusion: the central scenario is a return to organic growth in revenue and the improvement of margins. This mathematically implies a jump of c. 50% in FCF (+3y)

NTH is a rare case of very high returns (ROCEs >90%) with a vocation to continue growing in an expanding market (CAGRs of 6%-7% +5y). NTH's business model hinges on a light structure, that allows it to generate abundant cash (cash conversion ratio >65% of EBIT -5y), that has almost entirely been reverted to shareholders (pay-out c. 100% pre-Covid).

After testing the resilience of the business (2020)…

The resilience of its business has been put to the test in the current health crisis. Despite falling revenues (c. -30% y/y in 2020), NTH has improved its profitability (+2.6p.p. y/y in EBIT/Revenues), generating EUR 9.7Mn of Rec. FCF that has fortified the balance sheet (Net Cash/Equity 0.7x in 2020).

…it will try to fortify this in its markets (online channel)

NTH is, in principle, well positioned to take advantage of growth in the market: 1) high brand recognition, 2) reinforcement of the commercial strategy (renovation of the format of its centres), 3) firm commitment to the online channel (being rolled out). These factors will strengthen its positioning in traditional markets (benefiting from the potential weakness of competitors post-Covid). A return to organic growth (c. 10% in revenues) and an improvement in margins, is feasible, although not free of risk (hyperdependence on the success of the new sale strategy, prolongation of the pandemic…).

Although maintaining more dynamic markets in its sights…

Aside from this, NTH has a very healthy balance sheet (> 6 years of net cash, despite the high pay-out), which could allow the company to lever itself to accelerate the penetration of strategic markets (via acquisitions, strategic alliances, investments…), that would permit it to detach itself from more mature markets (Europe), characterised by pressure on margins. Since 2018 it has had its sights set on the US (c. 40% of the global weight loss and management market), whose contribution to the Group's P/L is as yet insignificant.

For now, the Group's expansion strategy is a continuation of the model developed in the past. So, unless there is a radical strategic change, the attractive shareholder remuneration is likely to continue. As well as a high FCF Yield, c. 2x vs. the sector, there is a discount of > 50% in the main ratios (4.8x EV/EBIT 2021e, vs. >12x for the sector).

Although the shareholder structure (77.1% in the hands of the founding family; 27.4% of capital is traded) protects the company from potential suitors, this is an insignificant "minus "with respect to the core of NTH's equity story that can be simplified in 3 points:

1. A combination of micro (brand) + sector (health sector boom) + macro (post-pandemic rebound) aspects, that rationally should enable a return to growth of c. +10% in revenue.

2. An (apparent and significant) reserve of value explained by a 2021 EV/EBIT ratio (c.5x) that is discounting (irrational?) falls in revenue vs sector multiples. This is the only explanation for the current level of multiples.

3. And a FCF yield > 10%, with a very solid/solvent CF generation structure (low CAPEX, no WC consumption, no financial expenses), that suggests recurrence.

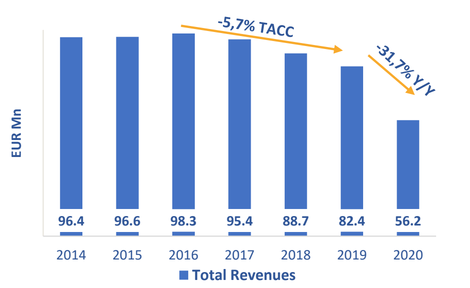
NTH combines multiples of c. 5x EV/EBIT 2021e and c. 2x FCF yield vs. its sector

The logical resumption of reasonable revenue growth for the company explains and triggers the second (low multiples) and third (FCF yield) derivatives and despite its simplicity (sales growth) can be considered NTH's "equity story" even if there is no improvement in margins.

The famous principle of Ockham's Razor (attributed to William of Ockham) states that, under equal conditions, the simplest explanation to a problem is usually the most likely; a suggestive idea when analysing a company with a (recurrent) FCF yield > 10%...

A very profitable business that has proven its resilience

Chart 1. Revenues Mix



Note: NTH's perimeter changed in 2014, thus the previous data is not comparable.

Chart 2. Selling points by format

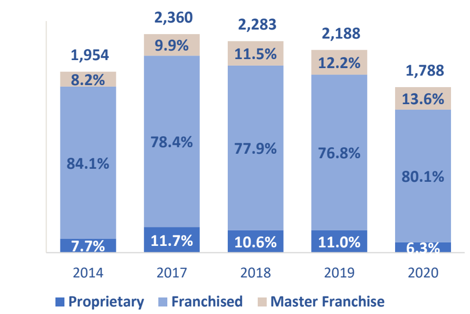


Chart 3. Geographic Sales Mix (2020)

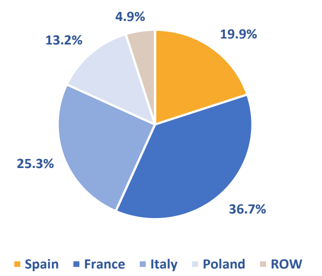
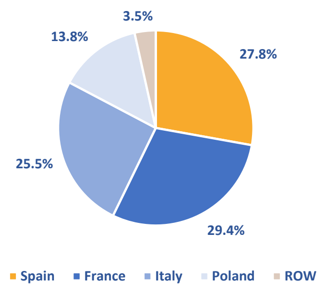


Chart 4. Selling Points – Geographic Mix (2020)



Naturhouse Health S.A. (NTH) is a small family company (EUR 97.8Mn Market Cap) with its corporate headquarters (since November 2017) in Madrid (Spain), specialised in nutrition and the re-education of eating habits. It was founded in 1991 by Félix Revuelta, its Executive Chairman, who has lengthy experience of the dietary business. Félix Revuelta controls the company with c. 60% of capital. NTH has become a major player in the European market.

NTH began its international adventure at the beginning of 2000, and is currently present in 33 countries, the most important being France, Italy and Poland (which together provided c. 75% of revenue in 2020). The group was listed in 2015, with the goal of strengthening its business, driving international expansion. In 2017 it had accumulated c. 2,400 points of sale (c. +20% since its listing), that generated turnover of c. EUR 95Mn (vs. EUR 56Mn in 2020).

A vertically integrated business model that is levered on franchises

NTH operates in the dietetics and nutrition sector (weight loss and management) selling the "Naturhouse method" (providing advice for >9Mn people on nutrition-related matters) and a large range of own products. The group is vertically integrated, controlling the entire value chain: from production (> 200 items that it produces in Spain, Poland and Mexico, ensuring quality and supply) to sales.

Since 2014 (when it stopped selling its products through third parties), it has sold its food supplements (c.80%), functional supplements (c.15%) and, residually, its cosmetics and body care products (<5%) mainly through directly-operated Naturhouse stores (c. 6% of the total) and franchises, which represent the bulk of the sales network (c. 80%). The running of the international business, c. 80% of the revenue generated on average since the market listing, is carried out through 9 subsidiaries located in France, Italy, Poland, Portugal, Germany, the UK, Canada and Mexico (all 100% owned apart from the last of these, in which it holds a 51% stake). NTH also operates in other countries through its Master Franchise format.

Prior to its listing, NTH concluded a corporate restructuring process in order to concentrate all the Naturhouse business in the parent. This process culminated in 2014 with the integration of SAS Naturhouse, belonging to Kiluva and with a presence in France and Belgium, in a transaction that involved increasing capital c.8x (non-monetary contribution), adding +320 centres to the sales network and increasing revenues to EUR 96.4Mn (+1.6x vs. -1y). That same year a minority interest (24.9%) was acquired from Kiluva in the Polish company Ichem Sp. Zo.o, controlled by Kiluva, that accounts for c. 60% of supplies (a further c. 20% come from companies also associated with Kiluva). NTH also has 6 rented warehouses located in Spain, France, Italy, Poland, Portugal and Mexico.

That has been impacted by an intensification of competition…

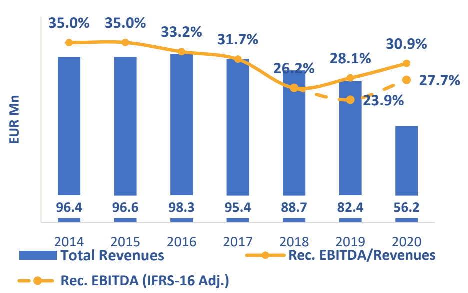
The efforts made to expand the business after the market listing (+406 openings in 2015-2017, increasing the number of centres +20% vs. -3y) have not translated to the upper part of the P&L (-0.3% CAGR for revenues in the same period; c.-6.5% LFL). After revenue peaked in 2016 (EUR 98.3Mn), tougher competition led to a decline in pre-Covid crisis revenue (-5.7% CAGR in 2016-2019), which resulted in the closure of 205 NTH centres (directly-operated and franchises) in 2018-2019, of which c. 80% were franchises.

The Covid-19 pandemic has only accelerated this trend. The initial closures and restrictions imposed to control the Covid-19 pandemic in Europe, together with the optimisation of directly-operated centres (as part of the commitment to the online channel) resulted in the closure of 377 centres in 2020 (c.65% franchises). NTH's sales network was reduced to 1,788 centres (of which 243 are Master Franchises; -15.8% vs. -5y), that generated revenue of EUR 56.2Mn (-31.7% y/y), with Spain accounting for 27.8% of the points of sale.

…And the still small presence in the online channel

The scant contribution of the online business to sales turned out to be a handicap during the chaotic scenario of 2020 (c. 2% of revenue). NTH has been working on the digitisation of the group since the end of 2019. The first trials were successfully initiated in countries with a smaller presence (U.K., India), expanding in 2019 to Spain and the US, the latter a country that has long been in the group's sights given the greater propensity for the consumption of this

Chart 5. Rec. EBITDA Margin vs. Revenues



Note: Please note that since 2019 the Rec. EBITDA has been affected by IFRS-16. The adjusted data is indicated for comparison purposes.

Chart 6. NP vs. ROE

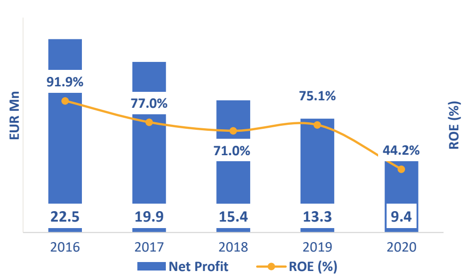


Chart 7. Revenues vs. ROCE

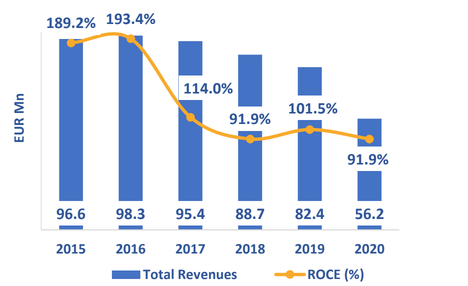


Chart 8. Rec. CF vs. Dividends

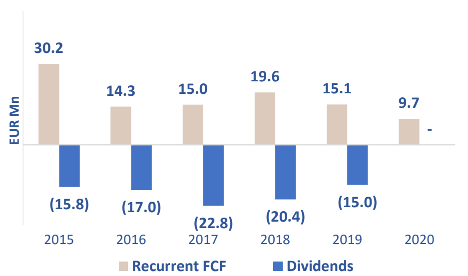
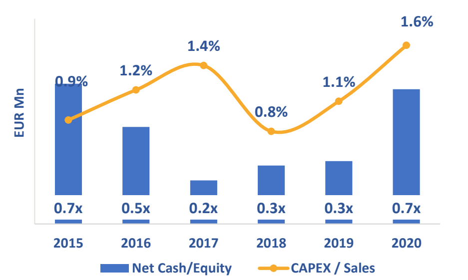


Chart 9. Net Cash/Equity vs. CAPEX/Sales



kind of products and for which an E-Commerce Director has been appointed. The company was forced to accelerate this digitisation in 2020 due to the Covid-19 crisis, the online channel being incorporated in its other core markets (France, Italy and Poland; c. 75% of 2020 consolidated revenues). This channel is performing positively (> +30% y/y in 2020).

Even so, NTH can boast of profitability

The high margins that characterise the business (c. 71% average gross margin since 2014) are underpinned by a business model that allows control over the entire value chain, minimising the immobilisation of resources: 1) production is carried out by third parties controlled by the majority shareholder, 2) the buildings required for the business (stores, warehouses) are leased (granting flexibility to the business) and 3) turnover is levered on the granting of franchises (80% of the sales network). In summary, the entire business hinges on a light cost structure. Investment has been limited to what is strictly necessary to open own stores that are then transferred to franchisees.

This model resulted in 35% Rec. EBITDA /Revenues in 2014-2015, a ratio that has been narrowing due to competitive pressure, bottoming out in 2018 (26.2%), due to the difficult situation in Poland (15.2% Rec. EBITDA/Revenues 2018; -18p.p. y/y) and in Spain (19.6% Rec. EBITDA/Revenues 2018; -9.4p.p. y/y). Even so, the ROE exceeded 70% and the ROCE 90%.

In the last two years, NTH has been focusing on improving its commercial strategy (2.0 store format), putting the emphasis on the online channel (EUR 0.7Mn of cumulative CAPEX). This strategy is diversifying the customer base (making it younger), reversing the trend for margins despite the decline in revenue (30.9% Rec. EBITDA/Revenue 2020, +2.8p.p. y/y; EUR 17.4Mn Rec. EBITDA), reflecting the resilience of the business. Adjusting for the impact of IFRS-16, the improvement in the margin would have been +1.5p.p. vs. -2y. Aside from this, it is worth remembering that in 2020 profitability benefited circumstantially from the reduction of personnel costs (application of employment measures due to the Covid-19 situation; in 2020 c. 85% of the headcount was furloughed). In 2020 the ROE was 44.2%.

A business model that generates abundant CF that is transferred to the shareholder

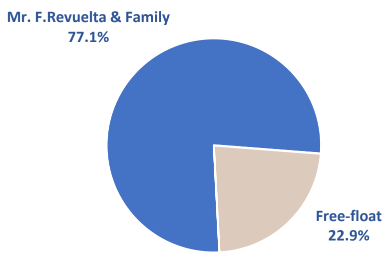
Since its listing, NTH has generated EUR 104.0Mn of Rec. FCF, having paid out EUR 91,0Mn in dividends, all the profits generated since 2015 (in 2014 it allocated the full amount of the legal reserve). The average pay-out was 99.5% in 2015-2019, taking the dividend yield to 11.9% in 2019 (9.7% after adjusting for the suspension of the payment of the supplementary dividend in 2020). This was one of the highest yields on the market.

In 2020, the employment measures adopted due to Covid-19 forced NTH to suspend the dividend (pay-out 0%). However, NTH has reiterated its commitment to resume shareholder remuneration as soon as possible, establishing a pay-out target of 85%. The group's FCF Yield was 9.9% in 2020 (-5.3p. vs. -1y, and vs. an average of c. 16% in the 3 years prior to the Covid crisis).

While the balance sheet remains strong

The suspension of the dividend in 2020 has led the net cash position to increase sharply (EUR 17Mn, +3.4x vs. 2019; vs. an average of EUR 8.7Mn from the market listing until 2019). The Net Cash/Equity ratio increased to 0.7x in 2020 (c.+2x vs. -1y), putting NTH in a comfortable position in the search for strategies to increase turnover, either via M&A or by investing in the development of the online channel (still on NTH's "to do" list). Moreover, the strong net cash position provides sufficient resources with which to maintain the high shareholder remuneration, which in NTH's case is credible.

Chart 10. Shareholder Structure



NTH: Fully controlled by its founder and sole shareholder (Félix Revuelta).

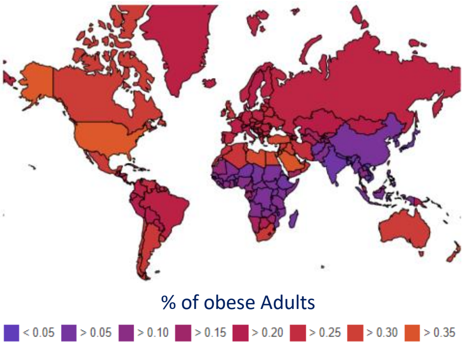
Félix Revuelta is, *de facto,* NTH's only controlling shareholder, and is the founder and Executive Chairman of the company. At the date of this report, his total shareholding in NTH is 61.2% of capital. He holds the bulk of this through FEREV, the Family Office in which he owns 79.5% of capital, and which in turn is the (100%) owner of the holding company Kiluva. The latter holds 72.6% of the capital of NTH. In addition to Félix Revuelta's stake, there are other family stakes completing a total of 77.1% of the capital. NTH's free float is 22.9%.

Félix Revuelta held c.58% when the company was listed (2015), gradually increasing this to the current levels. Thereby eliminating any temptation of corporate moves (M&A) on NTH.

As regards Kiluva, the company has other business interests (wineries, hotels, property, communications and perfumes, dietary and nutritional products, etc.). C.20% of NTH's supplies are acquired from associates of Kiluva (Girofibra, Indusen, Zamodiet and Laboratorios Abad).

Positioned in two growth markets: weight loss and management and food supplements

Chart 11. Rate of obesity by country



Source: World Population Review (2021).

The bulk of NTH's turnover is generated from the sale of products for weight loss and management. According to the WHO, over 30% of the world's adult population is overweight or obese. A growing preference for junk food, a sedentary lifestyle and fast food, encouraged in turn by busy routines and growing stress are responsible for this global epidemic. Being overweight is associated with the alarming increase in chronic diseases (diabetes, cardiovascular disease, cancer and orthopaedic problems), and has become a real challenge both for developed economies and for low- and mid-income countries (due to the increase in public health costs).

Weight loss and management, an expanding market…

Various sources valued the weight loss and management market at c. USD 190Bn in 2019 (c. 40% in the US), pointing to CAGRs of 6%-7% +5y (led by Asia-Pacific). The main market segments are: 1) diets (meals, drinks and weight loss supplements, the first of these representing the bulk of the market), 2) services (fitness centres, specialised slimming centres, online weight loss consultancy and programmes) and 3) equipment (fitness and surgical).

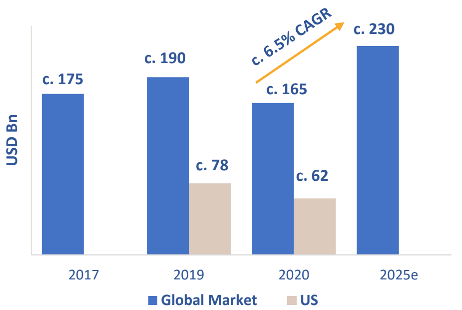
Dietary supplements account for c. 85% of NTH's turnover and are sold mainly in specialised centres, both directly-operated and franchised (in which personalised advisory services are provided by dieticians), and since the end of 2019, on the online sales channel.

…whose main driver is increased obesity among the population

Caused by changes in consumer habits and in lifestyle (increased sedentarism), resulting in an increased incidence of numerous diseases (a process accelerated by the ageing of the population). In addition, higher disposable income (in mid- and low-income countries) and a growing trend for healthy consumer habits favour the consumption of products and methods for weight loss and management.

Globalisation and digitisation have improved people's access to information about the negative health consequences of being overweight, the benefits of healthy living and nutrition. In turn this has raised awareness of the various solutions that exist for weight loss and management (dietary foods and drinks, supplements, drugs, exercise, etc.). The increase in public initiatives to make the population aware of this problem (the WHO's European Ministerial Conference on the fight against obesity, 2006), will also expand the market.

Chart 12. Weight loss and management market



Source: Lighthouse from public information (Markets & Markets, Grand View Research, Research & Markets and others).

A market that has proved its resilience in the face of the Covid-19 crisis

Even so, the closures and lockdowns imposed during the Covid-19 pandemic have badly affected the sector, impacting traditional marketing channels (crucial to the industry). The crisis has forced the industry to turn to the online channel, strengthening virtual advice and home delivery of its products.

Those companies most reliant on in-person client visits have suffered the most. The US market shrank c. 20% in 2020, with c. -30% in gyms and medical centres specialising in weight loss, resulting in some smaller competitors going out of business (Isagenix).

On the other hand, those companies that have been most active in strengthening their online presence and diversifying their product portfolios and retail channels (Herbalife, Medifast, etc.) reported robust growth in 2020 (> 10% on average), or, at least, managed to maintain their pre-crisis turnover (Weight Watchers).

And with an evident trend for personalisation and the use of supplements, with the online channel becoming more important

Personalised weight loss plans, with monitoring and psychological assistance during the weight loss process (either in-person or digitally), are gaining in popularity.

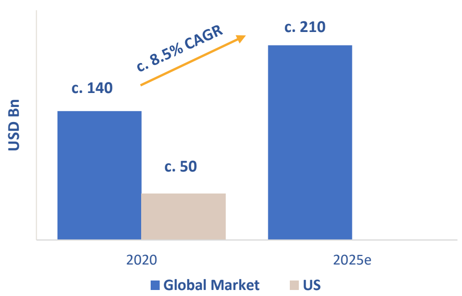
In addition, the increased use of weight loss supplements (protein shakes, herbal powders, pills and capsules) will be the main driver of market growth. Their efficacy in controlling calorie consumption in the face of growing sedentarism and their easy availability on the market will contribute to their increased penetration. The industry shift towards the digital channel is providing access to a new public (millennials).

NTH is also present in the growing market of dietary supplements

C. 10% of its turnover comes from the sale of vitamins. The dietary supplements market (which encompasses vitamins, proteins and amino-acids) was valued at c. USD 140Bn in 2020. This will be one of the most dynamic markets, maintaining a CAGR of c. +8.5% that will lead it to exceed USD 210Bn +5y.

The main drivers of growth in this market are the increased incidence of chronic diseases (diabetes, high blood pressure, cardiovascular problems, etc.), and the need to satisfy the active population's daily intake of nutrients and the growing trend for healthy eating (a growing trend among millennials too). These trends will drive, among others, demand for dietary supplements that favour gastrointestinal health and weight management.

Chart 13. Food supplements market



Source: Lighthouse from public information (Markets & Markets, Grand View Research, Research & Markets and others.

Both markets have benefited a priori from the Covid crisis

The Covid-19 pandemic has led to an increased awareness of the importance of a healthy lifestyle. According to the "Global Consumer Insights 2020" survey (PwC), c. 63% of those asked said a healthy diet was one of their main objectives. In the European "COVID-19 impact on consumer food behaviours in Europe" study, 34% of those asked mentioned the importance of a healthy diet, with 24% stressing the need to improve nutritional knowledge.

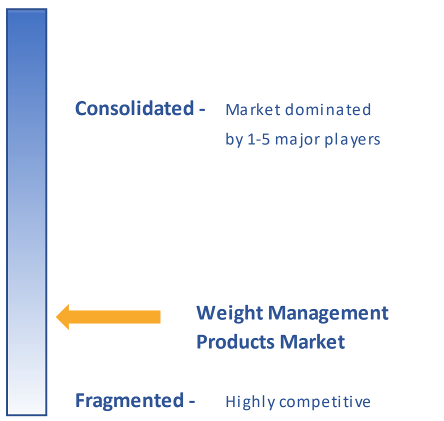
On the other hand, the lockdowns and restrictions imposed to control the pandemic have resulted in a large part of the population gaining weight vs. pre-Covid-19 (c. 50% of those asked in Spain, c.61% in the US), making it necessary to strengthen public health strategies (U.K., France, etc.) to reduce obesity (as obese people are at greater risk of suffering complications due to the Covid-19 virus), which will favour the market.

Although their "Premium" character and regulatory requirements will slow growth

Products for weight loss and management and vitamin supplements are more expensive than conventional foodstuffs. Supplements and meal replacements are also premium products (because they contain proteins and vitamins), which could restrict the target public given the economic situation (consumer discretionary).

In addition, the sale of these products is regulated in the main markets. Regulators (the Food and Drug Administration, FDA, in the US; the European Food Safety Authority, EFSA, in Europe) have imposed restrictions on their sale, requiring evidence regarding the safety of their ingredients. Moreover, companies selling dietary supplements must adhere to marketing and promotion legislation which might be a challenge for smaller companies, limiting the expansion of the market.

Chart 14. Level of concentration of the weight management products market



Note: The weight management products market is highly competitive; leading companies include Herbalife, Medifast, Weight Watchers and NutriSystem.

Highly fragmented markets with a predominance of unlisted companies

US companies dominate the weight loss segment. Listed companies of note include Herbalife Nutrition, Medifast and Weight Watchers, together with a host of private companies such as the Spanish ones La Ventana Natural and Pronokal and foreign companies such as NutriSystem, Jenny Craig, Atkins Nutritionals, Creative Bioscience, Slim-Fast, Optifast, Lindora Clinics, Slimgenics, Ideal Protein, Quick Weight Loss, Smart For Life, Medi-Weightloss, Centers for Medical Weight Loss, Nuviva, JumpStart MD, Dr. G's, etc.

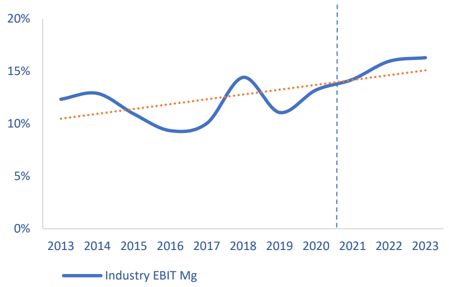
Food supplement segment companies include key players like Nature's Bounty, Herbalife Nutrition, Amway, Otsuka Holdings, Nature's Way, Nu Skin, small listed companies (Biosearch Life, Manntech, Bio Lab Naturals, Zurvita, etc.), and global companies such as Glanbia (a supplier of ingredients for the food industry, among others). The resilience of the industry's profitability also attracts pharmaceutical giants such as Abbott, Bayer and GlaxoSmithKline.

And with the focus on innovation and technology

The changing market outlook is driving companies to diversify their geographical presence and improve their product portfolios to attract consumers, while also encouraging strategic alliances (Atkins-Conveys Park, 2017).

Aside from this, the diversification of retail channels (increasing importance of the digital business and boom in streaming services), together with tougher competition and the volatility of consumer preferences, are challenges that put the spotlight on the sector's ability for innovation (by way of example, General Nutrition Centers' "Earth Genius" product range), which translates to greater pressure on margins.

Chart 15. EBIT margin of the personal care products and services sector



Source: Refinitv, based on aggregate industry data

A growing market and resilient profitability: attractions for M&A

Despite the discretionary nature of the consumption of these products, the sector has factors that will help to sustain medium-high single digit growth post-Covid. While North America will continue to be the main market, followed by Europe, the Asian market will lead growth (due to changes in dietary habits, increasing obesity and the growth in the region's disposable income).

The high growth rates vs other industries and the sector's profitability attract both industry players and private capital.

INW (Innovations in Nutrition + Wellness; a leading US player) has just acquired (March 2021) the UK company Bee Health (leader in the production of nutritional supplements). The Kerry Group has made a takeover bid for the Spanish company Biosearch Life (February 2021). In 2020, Kainos Capital concluded the purchase of Nutrisystem, leader in the weight management business (USD 575Mn; c. 5.5x EV/EBITDA). In 2017 KKR acquired Nature's Bounty in a deal that could have been worth c. USD 6Bn (EV/EBITDA >20x, the company was bought in 2010 by Carlyle for USD 4Bn). Aside from this, increasing competition should continue to drive sector concentration (with the aim of strengthening product portfolios).

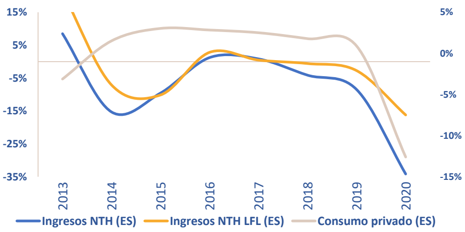
An always profitable business model that generates significant FCF, even in 2020…

The consequences of the financial crisis in Spain (2008-2015) represented a turning point for NTH's domestic business in 2013 (EUR 24.7Mn in Revenue, +8.5% y/y; EUR 20.9Mn 2014, -15.3% y/y). The decline led to a corporate restructuring prior to the company's listing (2015), with the goal of boosting the international expansion of the business. After its stock market debut, the Group's points of sale increased by c. +20% +3y (+406 net openings in 2015-2017 at the international level).

The weakness of the Spanish business was already evident before the Covid crisis (-4.1% CAGR 2014-2019), despite the efforts made to sustain the business (+20% cumulative net openings of own centres in Spain, which was unable to make up for the closure of c. 15% of the franchises). The decline in revenues also accelerated in the years prior to the outbreak of the pandemic (-6.3% CAGR 2017-2019).

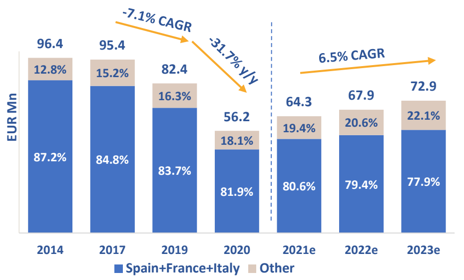
The international business (c.80% of 2019 revenue) has not done any better. France, NTH's stronghold market (c. 40% of 2019 consolidated revenue), recorded a CAGR of -10.6% in 2017-2019 (possibly affected by the departure of its General Manager in 2018). Poland (12.5% of 2019 Group revenue), has suffered from increased competition (-4.2% CAGR 2017-2019). Italy has been the best performer (-3.6% CAGR in the same period). At a consolidated level, NTH recorded a 2017-2019 CAGR of -7.1% (AAGR c. -4.5% LFL).

Chart 16. Private Consumption (Spain) vs. Reported and LFL Revenues (NTH - Spain)



Sources: INE, Bank of Spain, Bankia, NTH and Lighthouse.
Note: Private Consumption refers to the axis on the right.

Chart 17. Revenues Geographic Mix (NTH)

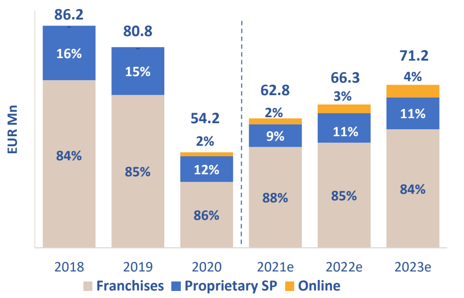


2020 was inevitably impacted by the Covid crisis

The current crisis has also had a negative impact on NTH (EUR 56.2Mn of Revenue in 2020, -31.7% y/y), reducing the number of Naturhouse centres, through which the bulk of the company's products are sold, to 1,545 (-19.6% y/y). Of these, NTH directly operates c. 7% (112 own centres), levering on a large network of franchisees (the other 93% of its commercial network). In addition, NTH had 243 Master Franchises (-8.6% y/y).

The decline was especially pronounced in France (EUR 20.7Mn Revenues 2020, -36.7% y/y), Spain (EUR 11.2Mn Revenues 2020, -34.1% y/y) and Poland (-EUR 7.2Mn, -30.4%), together accounting for 80% of the decrease in consolidated revenues (France c. 45%).

Chart 18. Sales Mix: Proprietary, franchises and online (NTH)



Note: Estimated revenues contribution from proprietary centers, franchised centers and online sales. Data excludes services and other operating income.

Although it will take time (> 2y) to recover pre-Covid levels of turnover…

Uncertainty remains high due to the prolongation of the pandemic during most of 2021 and the slow vaccine roll-out. Even so, forecasts continue to point to economic recovery in 2021 (after the shock of 2020) in NTH's core markets (2021e GDP: +5.5% in France, +6.0% in Spain, +3.5% in Italy and +4.1% in Poland).

This scenario, together with the progress made by NTH in its online channel, will enable the company to recover in 2021 a good part of what it lost -1y. While in the short term, NTH will focus on recovering weak franchises in order to prevent their closure, it is likely (+1y) that the company will resume a campaign of expansion (opening of own centres to gradually transfer these to a franchise regimen). Against a backdrop of economic deterioration and high unemployment, this format enables "self-employment".

In addition, NTH is focusing on improving its commercial strategy (2.0 store format), strengthening its online channel to increase sales. This strategy is allowing NTH to increase its market penetration, growing its customer base (the anonymity of the online channel provides access to a younger clientele). We estimate EUR 62.8Mn in consolidated sales in 2021e (c. 78% of 2019 revenue), with the online channel contributing c.2% (in line vs. -1y). The additional contribution of revenue from services (collection of annual fees from franchisees) and operating revenue will increase revenues to EUR 64.3Mn in 2021e.

From 2022, strategy will focus on strengthening the business via new openings (50/year) and increasing the digital presence (a multichannel presence is a growing trend in the retail sector and requires innovation to avoid obsolescence). We estimate sales of EUR 71.2Mn in 2023e (+6.5% CAGR +2y, in line with peers), that would mean recovering c. 90% of pre-Covid turnover.

Chart 19. Total Selling Points (NTH) and y/y change by type

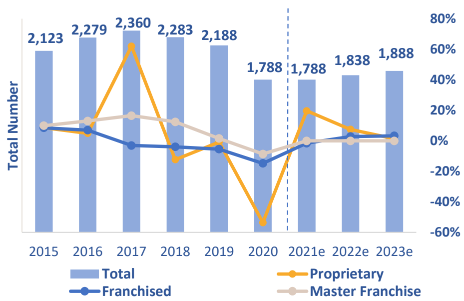


Chart 20. Selling Points Mix (NTH)

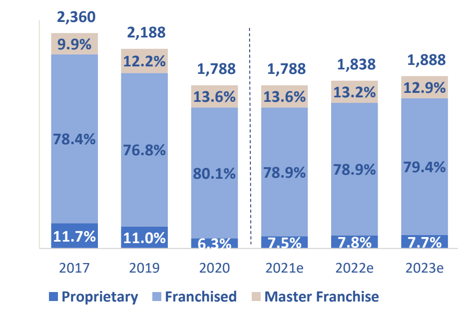


Chart 21. Sector average Gross Margin (2020)

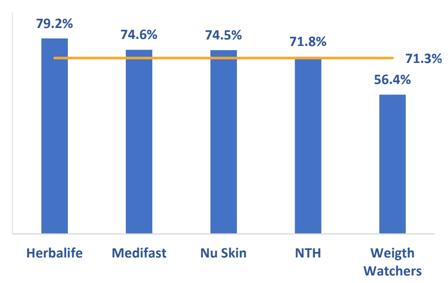


Chart 22. EBIT vs. EBIT/Revenues (NTH)

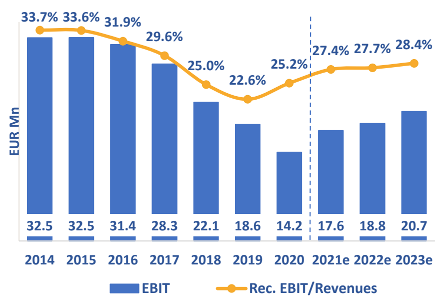
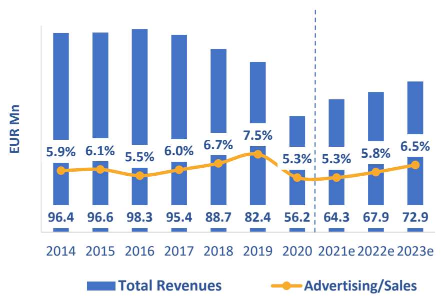


Chart 23. Revenues vs. Advertising/Sales (NTH)



Our numbers envisage a mix of: +2.3% LFL, +1.3% online and +3.0% from the increase in the sales area. Consolidated revenues will amount to EUR 72.9Mn 2023e (+6.5% CAGR +2y).

Table 1. Revenues Split

EUR Mn	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Total Revenues	**96.6**	**98.3**	**95.4**	**88.7**	**82.4**	**56.2**	**64.3**	**67.9**	**72.9**
Var. (%)	*0.9%*	*1.8%*	*-2.9%*	*-7.1%*	*-7.1%*	*-31.7%*	*14.3%*	*5.6%*	*7.4%*
Total Sales	**95.0**	**96.8**	**93.6**	**86.2**	**80.8**	**54.2**	**62.8**	**66.3**	**71.2**
Var. (%)	0.7%	1.8%	-3.3%	-7.9%	-6.3%	-32.9%	15.8%	5.6%	7.5%
LFL Var. (%)	*-4.0%*	*-6.8%*	*-9.2%*	*-6.6%*	*-2.4%*	*-17.5%*	*15.4%*	*2.4%*	*2.2%*
Online (%)	-	-	-	-	-	1.2%	0.9%	1.2%	1.3%
Total Selling Points (%)	*4.7%*	*8.7%*	*5.9%*	*-1.3%*	*-3.9%*	*-16.7%*	*-0.5%*	*2.0%*	*4.0%*
Spain	18.7	18.9	19.0	18.3	16.7	10.9	13.5	14.5	16.0
France	41.3	40.8	40.5	35.4	32.4	20.4	22.3	23.3	24.7
Italy	21.2	22.2	20.5	19.8	19.1	14.0	16.9	17.5	18.5
Poland	11.3	12.3	11.0	10.2	10.2	7.0	8.4	8.9	9.8
ROW	2.5	2.5	2.5	2.5	2.4	1.8	1.8	2.0	2.3
Services	**0.8**	**1.1**	**1.1**	**1.1**	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**
Var. (%)	*12.8%*	*34.4%*	*5.2%*	*-4.1%*	*-19.2%*	*3.1%*	*-1.5%*	*2.8%*	*3.3%*
Other Income	**0.8**	**0.5**	**0.7**	**1.4**	**0.7**	**1.2**	**0.6**	**0.7**	**0.7**
Var. (%)	*16.1%*	*-41.0%*	*56.4%*	*83.0%*	*-49.8%*	*68.9%*	*-45.6%*	*6.2%*	*6.6%*
Gross Margin (%)	**71.2%**	**70.9%**	**71.6%**	**71.6%**	**71.0%**	**71.8%**	**70.7%**	**70.9%**	**71.1%**

Note: in order to simplify, online sales contribution has been included in the Spanish market.

Aside from this, NTH's corporate strategy allows it to control a large part of the value chain. C. 60% of supplies come from its associate Ichem Sp. Zo.o (Poland) and a further c. 20% come from companies controlled by or associated with Kiluva (its majority shareholder). This structure makes the gross margin less volatile.

However, the smaller contribution from other revenues in 2021e (c. -50% vs. -1y), together with the sales mix (a larger contribution from franchises) will result in -1.1p.p. in the gross margin (70.7% 2021e). The envisaged opening of centres (+2y) will allow a cumulative improvement of +0.4p.p. in the gross margin (71.7% 2023e).

…NTH still has room to improve profitability, recovering (+1y) pre-Covid EBIT…

The sector is characterised by high margins (gross margin >70%), the main difference in operating returns lying in the cost structure.

NTH has created an operating model that allows it to retain a good part of the value generated (an average of c. 45% of the gross margin -5y). Its operating structure minimises the immobilisation of resources: 1) the buildings required for the business (stores, warehouses) are leased (granting flexibility) and 2) turnover is levered on the granting of franchises (80% of the sales network). Although the gross margin can suffer if franchises make a larger contribution to the sales mix (smaller margin), this is neutralised at the operating profit level (due to the lack of additional costs).

This model enabled NTH to obtain EBIT/Revenue margins >33% in 2014-2015. Since then, increased competition in core markets has required a greater commercial effort (2019 advertising spend/sales ratio of 7.5%, +2p.p. vs. -3y), squeezing margins. The EBIT/Revenue margin bottomed out in 2019 (22.6%; -11p.p. vs. 2015).

The outbreak of the Covid-19 pandemic in 2020 has forced NTH to reorganise, accelerating the digitisation process it had begun timidly at the end of 2019, a trend that has been general in the sector on the other side of the Atlantic. The online channel's sales continue to show a positive trend (growth > 30% y/y), which we expect to continue over the long term. On the other hand, the online strategy, plus the impact of the temporary employment measures the Group has taken advantage of (at one time c. 85% of the workforce was furloughed in 2020), have resulted in an improvement of the margin (25.2% EBIT/Revenues 2020, +2.6p.p. y/y). However, the effect of the pandemic has been devastating: in 2020 EBIT fell to EUR 14.2Mn (c. -50% vs. -3y).

The increase in store openings from 2022 (50 centres/year), and the commercial strengthening (new 2.0 store format and firm commitment to the online channel), will consolidate the improvement in margins (l/t), returning EBIT to the growth path. We expect NTH to exceed

Chart 24. Net Cash/Equity vs. CAPEX/Sales

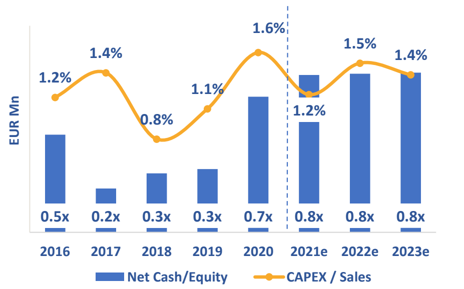


Chart 25. NP vs. Dividends (NTH)

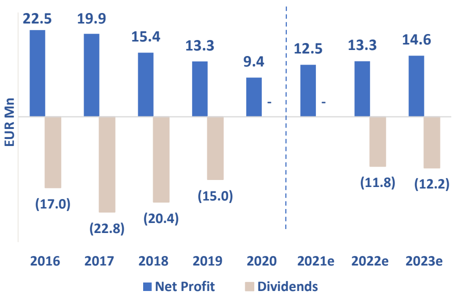


Chart 26. ROE vs. ROCE (NTH)

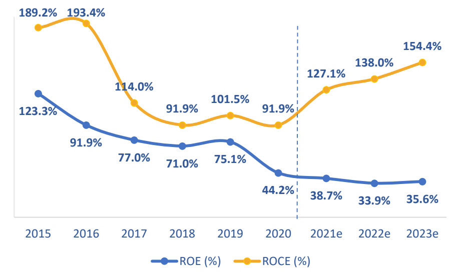


Chart 27. FCF Rec. vs. Dividendos (NTH)

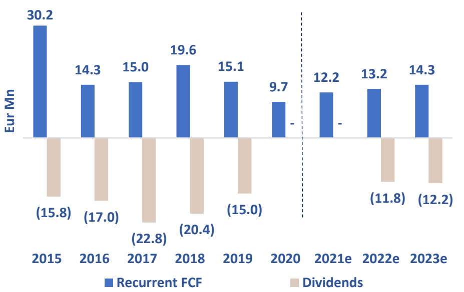
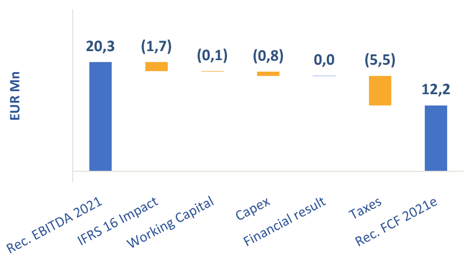


Chart 28. Impacts on Rec. FCF (2021e)



pre-Covid levels in terms of EBIT +1y at EUR 20.7Mn 2023e (28.4% EBIT/Revenues; +8.4% CAGR +2y). Our scenario does not envisage impacts of restructuring (a lever that NTH could use).

…And also NP, having additional levers to drive ROE and ROCE

The business' consistent cash generation (CAPEX/Sales < 1.5%), despite the high dividend pay-out, has enabled NTH to maintain a net cash position (0.4x Net Cash/Equity -5y), allowing it to fully translate improvements in EBIT to NP. In addition, the Group has strengthened the lower part of the P/L by equity accounting its Polish associate Ichem (the group's principal supplier). This has contributed c. 3% of Group PBT -5y. The generous dividend policy has resulted in returns that would be the envy of any industry since the market listing (ROEs>70%; ROCEs > 90%).

The decline in profitability -5y prior to the outbreak of the current crisis, saw NP decline to EUR 13.3Mn (c. -40% vs. the year of its market listing), this decline accelerating in 2020, due to the current crisis (EUR 9.4Mn, -29.3% y/y).

The suspension of the dividend imposed by the regulator in 2020 has caused the cash position to increase sharply (EUR 17Mn in net cash 2020; accumulating 6y with net cash), reducing the ROE to 44.2% (vs. 75.1% -1y). We expect the recovery of pre-Covid NP in 2022e (EUR 13.3Mn), reaching EUR 14.6Mn in 2023e; +8.4% CAGR +2y). We include a tax rate of 30.5% (in line vs. -1y).

The resumption of dividend payments from 2022e (85% pay-out), will enable an average ROE > 35% to be maintained (a level that, in our view, would represent a floor). NTH has previously paid dividends against available reserves, a lever that the company could use (barring changes in strategy), strengthening the Dividend yield and returning the ROE to its historical average.

Abundant FCF, that reverts to the shareholder

NTH's structure-light business model allows it to generate abundant CF: 1) low WC needs (<1% WC/Revenue -5y) and 2) low investment requirements (<1.5% CAPEX/Sales -5y). The cash outflow associated with IFRS-16 declined to EUR 1.7Mn in 2020 (c. -50% y/y), an amount that will remain practically stable in 2021e-2023e. The group's FCF Yield was 9.9% in 2020 (-5.3p.p. vs. -1y, and vs. an average of c. 16% in the 3 years prior to the Covid crisis).

Since its listing, NTH has generated EUR 104.0Mn of Rec. FCF, having paid out EUR 91.0Mn in dividends (all the profits generated since 2015). The average pay-out was 99.5% in 2015-2019, taking the dividend yield to 11.9% in 2019 (9.7% after adjusting for the suspension imposed on payment of the supplementary dividend in 2020; EUR 2.8Mn). NTH is accustomed to making 3 interim payments during the financial year, paying a supplementary dividend in the following year.

The employment regulation measures adopted due to Covid-19 forced NTH to suspend the dividend in 2020 (pay-out 0%). The company intends to resume shareholder remuneration as soon as possible, with a pay-out target of 85%.

Our estimates envisage growing recurrent FCF, reaching EUR 14.3Mn in 2023e (+8.1% CAGR +2y), approaching pre-Covid levels. We estimate a neutral impact on WC, growing CAPEX (EUR 0.8Mn 2021e, EUR 1Mn/year +2y) and a stable cash outflow associated with IFRS-16. NTH's share price offers a FCF Yield of 12,5% 2021e. Due to the prolongation of the pandemic, we have decided to delay the resumption of dividend payments to 2022e (85% pay-out in line with the Group's commitment), including in the same year, payment of a supplementary dividend charged to 2019 (EUR 2.8Mn; against reserves).

In conclusion: annual growth of c.10% in revenues (CAGR 2020-2023e) whilst continuing to improve margins

NTH's business model hinges on a light structure, that allows it to generate abundant cash (c. EUR 100Mn since the market listing) used almost entirely on paying dividends.

NTH is a rare case of very high returns (ROCEs >90%) and has tested the resilience of its business in the current health crisis. Despite falling revenues (c. -30% y/y 2020), NTH has improved its profitability (+2.6p.p. y/y in EBIT/Revenues 2020), generating EUR 9.7Mn of Rec. FCF (with a cash conversion ratio of c. 70% of EBIT), that has fortified the balance sheet (due to the obligatory suspension of a dividend payment).

Despite the current uncertainty, NTH is well positioned to take advantage of the growth in the weight loss and management market (CAGRs of 6%-7% +5y). However, the biggest growth remains located in the US and Asia, so growth in Europe will be underpinned by greater penetration (benefiting from the potential weakness of competitors post-Covid).

The US (c. 40% of the market), irrelevant for the P/L at the moment, remains in the company's sights. NTH has been trying to enter the US market since 2018. The Group's current expansion strategy is a continuation of the past, so, unless there is a radical strategic change, the attractive shareholder remuneration is likely to continue.

Aside from this, NTH has a very healthy balance sheet, with the capacity for leverage to accelerate the penetration of strategic markets (via acquisitions, strategic alliances, investments…). As well as a high FCF Yield, c. 2x vs. the sector, there is a discount of > 50% in the company's main ratios (4.8x EV/EBIT 2021e, vs. >12x for the sector). The shareholder structure (77.1% in the hands of the founding family) protects the company from potential suitors.

Valuation inputs

Inputs for the DCF Valuation Approach

	2021e	2022e	2023e	Terminal Value [(1)]
Free Cash Flow "To the Firm"	**12.4**	**13.4**	**14.5**	**228,7**

			Best Case	Worst Case
Market Cap	**97.8**	At the date of this report		
Net financial debt	**-17.0**	Debt net of Cash (12m Results 2020)		
Cost of Debt	0.2%	Net debt cost	-0.1%	0.4%
Tax rate (T)	20.0%	T (Normalised tax rate)	=	=
Net debt cost	**0.1%**	**Kd = Cost of Net Debt * (1-T)**	**-0.1%**	**0.3%**
Risk free rate (rf)	0.4%	Rf (10y Spanish bond yield)	=	=
Equity risk premium	9.0%	R (own estimate)	8.5%	9.5%
Beta (B)	1.0	B (Refinitiv and Lighthouse)	0.9	1.1
Cost of Equity	**9.4%**	**Ke = Rf + (R * B)**	**8.0%**	**10.8%**
Equity / (Equity + Net Debt)	100.0%	E (Market Cap as equity value)	=	=
Net Debt / (Equity + Net Debt)	0.0%	D	=	=
WACC	**9.4%**	**WACC = Kd * D + Ke * E**	**8.0%**	**10.8%**
G "Fair"	**2.0%**		**2.0%**	**1.0%**

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Reuters	Mkt. Cap	P/E 21e	EPS 21e-23e	EV/EBITDA 21e	EBITDA 21e-23e	EV/Sales 21e	Revenues 21e-23e	EBITDA/Sales 21e	FCF Yield 21e	FCF 21e-23e
Herbalife Nut.	HLF	4,548.0	10.0	10.0%	7.5	n.a.	1.1	n.a.	15.1%	9.9%	n.a.
Medifast	MED	2,308.5	21.2	n.a.	14.4	n.a.	2.2	n.a.	15.2%	3.4%	n.a.
WW Intl.	WW.O	1,673.9	15.9	13.7%	9.5	4.7%	2.4	5.9%	25.5%	7.4%	n.a.
Weight Management			15.7	11.8%	10.5	4.7%	1.9	5.9%	18.6%	6.9%	n.a.
Nu Skin	NUS	2,241.5	13.4	2.9%	6.5	-4.0%	0.9	0.9%	14.2%	8.3%	13.7%
Glanbia	GL9.I	3,675.8	15.9	10.4%	14.2	8.4%	1.1	4.7%	7.7%	4.2%	18.9%
Diet Supplements			14.7	8.4%	10.4	3.0%	1.3	3.8%	13.5%	6.5%	16.3%
NTH	NTH.MC	97.8	7.8	8.4%	4.1	7.3%	1.3	6.5%	31.5%	12.5%	8.1%

Free Cash Flow sensitivity analysis (2022e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 22e	EBITDA 22e	EV/EBITDA 22e
Max	34.7%	23.6	3.6x
Central	31.5%	21.4	3.9x
Min	28.3%	19.2	4.4x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 22e		
EBITDA 22e	1.0%	1.5%	2.0%
23.6	15.7	15.4	15.0
21.4	13.5	13.2	12.8
19.2	11.4	11.0	10.7

Scenario	Rec. FCF/Yield 22e		
Max	16.1%	15.7%	15.4%
Central	13.8%	13.5%	13.1%
Min	11.6%	11.3%	10.9%

What could go wrong?

We consider risks to be those that could have a significant negative impact on our projections, mainly those for operating profit and free cash flow:

1. **Great dependence (revenue/profitability) on the franchises:** these represent 93% of the centres run by NTH, accounting for c. 85% of sales. A significant part of the commercial success of the franchises depends on finding appropriate franchisees. NTH tries to transfer some of the own centres it opens to a franchise regime (once these have an acceptable volume of business). However, NTH does not control the running of the franchises. The closure of these negatively impacts revenue and EBIT. The closure of 5% of the franchises in existence in 2020 (without these being rescued and directly operated) would reduce 2021e EBIT by 6.4% (EUR -1.1Mn vs. our current estimate).

2. **Volatility of demand:** caused by frequent changes in eating habits and trends. A 5% reduction in 2021e sales would reduce the EBIT estimated for the year by 8.7% (EUR -1.5Mn). The Covid-19 pandemic has forced NTH to accelerate its digitisation strategy, so as to adapt its business model to the new circumstances and consumer habits arising from the crisis. However, the increase in online sales (c. 2% of 2020 sales) could result in higher revenue volatility (due to weaker customer loyalty and the tough competition in this channel).

3. **Tougher competition:** Due to the sector's low entry barriers. The dietary and food supplements market is highly competitive which favours pressure on margins. NTH competes with similar business models to its own (PronoKal) and with other retail channels such as traditional herbalists and chemist's. In addition to this traditional competition, there is the growth in the food industry in the low-fat and healthy food segment.

   NTH's business is a proven model (>9 million clients). However, defending or increasing market share requires a significant commercial effort (in the 3 years prior to the public health crisis NTH set aside an average of c. 6.5% of sales on advertising). Our estimates envisage a growing advertising spend (5.3% of 2021e sales, that will increase to 6.5% at the end of the estimated period). A bigger advertising effort would impact negatively and proportionally on EBIT.

4. **Highly seasonal sales:** The nature of the business means sales are highly concentrated in the 1H of the financial year (c. 85% on average in the 3 years prior to the Covid crisis; c. +5p.p. vs. 2015). Any disruption impacting 1H (such as the current pandemic) will impact to a greater extent on the P/L. A potential increase in the contribution of sales of food supplements (vitamins and others) would make the business less cyclical.

5. **Regulatory risk:** Sales of food supplements are subject to extensive regulations (regarding food safety) that depend on each market. A regulatory decision to ban/restrict the sale of certain products would have a direct negative impact on the P/L. In addition, NTH is subject to legislation governing franchises and to other regulations applicable in the various markets in which it operates (85% of its revenues are generated in the EU).

6. **Reputational risk:** inherent to its high exposure to the public. NTH currently enjoys a high level of market recognition. A potential tarnishing of its corporate image could dissuade current or potential consumers from attending its centres or consuming its products, with the consequent negative impact on the P/L. In order to minimise this risk, NTH regularly monitors the impacts arising from this exposure.

7. **Risks associated with the outsourcing of distribution.** Transport is outsourced, so potential interruptions in its operations could cause delays in the delivery of products causing temporary shortages in the points of sale. In order to reduce this risk, NTH has two habitual suppliers and an additional third one for emergencies.

8. **Dividend policy:** NTH has maintained a generous dividend policy. The pre-Covid crisis pay-out had been c. 100% since the listing. Shareholder remuneration has been forcibly suspended in 2020 (due to the regulations governing the management of state aid for dealing with the Covid-19 crisis). Although the group's investment requirements are small (annual CAPEX of EUR 1Mn -5y) and it has reiterated its commitment to resume the payment of dividends as soon as possible (85% pay-out), there is no guarantee that NTH will be able to maintain this level of pay-out in the future. Our estimates envisage the recovery of the dividend from 2022e (85% pay-out).

The business is controlled and run by the founding family

The group is controlled by Félix Revuelta, its founder and Executive Chairman, who holds 76.9% of the voting rights of NTH (72.6% through Kiluva and 4.3% through FEREV, his Family Office). Kiluva, controlled by Félix Revuelta, is the majority shareholder of NTH (with 72.6% of the capital). The founding family is fully involved in the running of the group.

Table 2. Board of Directors

Name	Category	Date	Voting Rights
MrF. Revuelta Fernánde:	President, CEO Founder	*20/04/2018*	76.93%
Mr I. Bayón Marine	*Independent*	20/04/2018	0.02%
Mr J.M. Castellano Ríos	*Independent*	*20/04/2018*	*0.08%*
Mr P. Nueno Iniesta	*Independent*	*20/04/2018*	0.01%
Mrs. V. Revuelta Rodrígu	*Vicepresident Executive*	*20/04/2018*	0.05%
Kiluva	*Proprietary*	*20/04/2018*	0.00%
Mr K. Revuelta Rodrígue:	*Vicepresident Executive*	*20/04/2018*	0.08%
Total			***77.17%***

1. **The board of directors is controlled and run by the founding family:** they account for 4 of its 7 members (77.1% of the voting rights) holding the positions of Executive Chairman and CEO (Dr. Félix Revuelta Fernández, founder of NTH), the 2 executive vice-presidents (posts held by the children of the founder; Kilian Revuelta Rodríguez and Dr. Vanesa Revuelta Rodríguez) and proprietary director (representing Kiluva).

2. **With a predominantly financial profile** (6 of the 7 board members have a financial background, 3 of them being independent). According to the company's bylaws, the position of director is held for a maximum term of 5 years renewable for periods of equal duration (in accordance with prevailing legislation). Non-executive board members may only delegate their votes to other non-executive board members.

3. **And highly dependent on the majority shareholder.** Félix Revuelta is the group's controlling shareholder (76.9% of the voting rights), and chairs the board, which in principle ensures its interests align with those of minority shareholders.

4. **Although its committees maintain their independence.** Both the Audit and Appointments and Remuneration Committees are chaired by independent board members and are mainly comprised of independent board members (66.7% and 100% of their members, respectively).

5. **But without an explicit diversity policy as yet.** The daughter of the founder, who occupies one of the two vice-presidencies, is the only female member of the board and of NTH's senior management.

6. **Risk management and good governance policy approved by the board.** The former involves all the company (identification, assessment, adoption of measures and monitoring), and includes quarterly reporting to the Audit Committee. The Code of Ethics and Conduct applies to all NTH employees. An Ethics and Compliance channel has been incorporated. NTH publishes an annual non-financial information report.

7. **With incentives in the form of bonuses "only" for the executive directors and CEO,** linked to EBITDA and without *bonus-malus* / *claw-back* clauses. There is no variable compensation (annual/multi-annual) in respect of shares, stock options or remuneration linked to the share price. The compensation of the board has on average represented c. 10.5% -5y of personnel costs (14.2% in 2020).

8. **Related party transactions:** A high percentage of supplier contracting (c. 80%) is done with related parties, c. 60% being concentrated in the associate Ichem Sp. Zo.o (supplier of dietary supplements with NTH holding 24.9% of the capital). Kiluva owns 44% of the capital of the Mexican dietary supplement provider Zamodiet, that in turn owns 24.9% of the share capital of Ichem Sp. Zo.o. In addition, Kiluva controls Laboratorios Abad (a provider of cosmetic products for NTH), being associated with Indusen and Girofibra, who are also NTH suppliers. NTH had credit balances with associated companies in an amount of EUR 2.6Mn in 2020 (c. 75% with Ichem) and debit balances for leases (EUR 1.3Mn 2020).

9. **And with liabilities for the provision of salary funds** (equivalent to a pension fund) with the employees of its Italian subsidiary. NTH has provisioned EUR 0.9Mn (2020), which is payable in the event of termination of employment (voluntary or not).

10. **And with the resumption of shareholder remuneration (suspended due to regulatory requirements in 2020) on the roadmap.** NTH fully provisioned the obligatory legal reserve before its listing (2015), so there are no restrictions on the pay-out (in the past the company has paid dividends against voluntary reserves). The potential payment of a dividend in 2021 continues to depend on the legal restrictions associated with the extension of Covid-19 measures (currently, c. 40% of the headcount is on furlough vs. c. 85% in 2020). Accordingly, and given the scant visibility regarding the current year, we have decided to include a Pay Out of 85% in our projections only from 2022, in line with the Group's commitment. In the short term, attention will switch to focus on the international expansion of the business and the acceleration of the penetration of the online channel with the aim of maintaining business profitability.

Appendix 1. Financial Projections[1]

Balance Sheet (EUR Mn)	2016	2017	2018	2019	2020	2021e	2022e	2023e
Intangible assets	1.9	1.7	1.4	8.9	3.7	3.7	3.7	3.7
Fixed assets	4.9	5.0	3.8	2.0	1.2	1.0	1.1	1.1
Other Non Current Assets	3.6	3.5	3.6	3.4	3.5	3.5	3.5	3.5
Financial Investments	0.9	1.0	0.8	0.8	0.6	1.0	1.3	1.7
Goodwill & Other Intangilbles	-	-	-	-	-	-	-	-
Current assets	15.9	19.3	16.3	12.2	11.8	12.2	12.1	12.4
Total assets	**27.2**	**30.5**	**25.9**	**27.3**	**21.0**	**21.5**	**21.8**	**22.5**
Equity	27.1	24.5	18.8	16.5	26.0	38.4	39.9	42.3
Minority Interests	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Provisions & Other L/T Liabilities	1.4	1.5	1.2	1.1	1.4	1.4	1.4	1.4
Other Non Current Liabilities	-	-	-	5.2	2.5	2.5	2.5	2.5
Net financial debt	(12.8)	(5.2)	(5.4)	(5.0)	(17.0)	(29.3)	(30.6)	(32.7)
Current Liabilities	11.4	9.7	11.2	9.5	8.1	8.4	8.6	9.0
Equity & Total Liabilities	**27.2**	**30.5**	**25.9**	**27.3**	**21.0**	**21.5**	**21.8**	**22.5**

									CAGR	
P&L (EUR Mn)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**	**16-20**	**20-23e**
Total Revenues	**98.3**	**95.4**	**88.7**	**82.4**	**56.2**	**64.3**	**67.9**	**72.9**	***-13.0%***	***9.0%***
Total Revenues growth	*1.8%*	*-2.9%*	*-7.1%*	*-7.1%*	*-31.7%*	*14.3%*	*5.6%*	*7.4%*		
COGS	(28.6)	(27.1)	(25.2)	(23.8)	(15.9)	(18.8)	(19.7)	(21.1)		
Gross Margin	**69.7**	**68.3**	**63.5**	**58.5**	**40.4**	**45.4**	**48.1**	**51.8**	***-12.8%***	***8.7%***
Gross Margin/Revenues	*70.9%*	*71.6%*	*71.6%*	*71.0%*	*71.8%*	*70.7%*	*70.9%*	*71.1%*		
Personnel Expenses	(19.3)	(20.4)	(20.7)	(19.3)	(12.4)	(13.2)	(13.7)	(14.1)		
Other Operating Expenses	(17.8)	(17.7)	(19.6)	(16.1)	(10.6)	(12.0)	(13.0)	(14.4)		
Recurrent EBITDA	**32.6**	**30.3**	**23.2**	**23.1**	**17.4**	**20.3**	**21.4**	**23.3**	***-14.6%***	***10.3%***
Recurrent EBITDA growth	*-3.5%*	*-7.2%*	*-23.4%*	*-0.3%*	*-24.8%*	*16.6%*	*5.6%*	*9.0%*		
Rec. EBITDA/Revenues	*33.2%*	*31.7%*	*26.2%*	*28.1%*	*30.9%*	*31.5%*	*31.5%*	*32.0%*		
Restructuring Expense & Other non-rec.	(0.2)	(0.9)	0.1	(0.2)	0.1	-	-	-		
EBITDA	**32.4**	**29.4**	**23.3**	**22.9**	**17.4**	**20.3**	**21.4**	**23.3**	***-14.3%***	***10.2%***
Depreciation & Provisions	(1.0)	(1.1)	(1.1)	(1.0)	(1.6)	(1.0)	(1.0)	(1.0)		
Capitalized Expense	-	-	-	-	-	-	-	-		
Rentals (IFRS 16 impact)	-	-	-	(3.3)	(1.7)	(1.7)	(1.7)	(1.7)		
EBIT	**31.4**	**28.3**	**22.1**	**18.6**	**14.2**	**17.6**	**18.8**	**20.7**	***-18.0%***	***13.4%***
EBIT growth	*-3.4%*	*-9.9%*	*-21.6%*	*-15.9%*	*-24.0%*	*24.3%*	*6.6%*	*10.2%*		
EBIT/Revenues	*31.9%*	*29.6%*	*25.0%*	*22.6%*	*25.2%*	*27.4%*	*27.7%*	*28.4%*		
Impact of Goodwill & Others	-	-	-	-	(0.9)	-	-	-		
Net Financial Result	(0.1)	(0.0)	(0.0)	(0.2)	(0.0)	0.0	0.0	0.0		
Income by the Equity Method	0.8	0.4	0.6	0.2	0.3	0.3	0.4	0.4		
Ordinary Profit	**32.1**	**28.7**	**22.7**	**18.7**	**13.5**	**18.0**	**19.1**	**21.1**	***-19.5%***	***16.0%***
Ordinary Profit Growth	*-3.1%*	*-10.7%*	*-20.7%*	*-17.7%*	*-27.7%*	*32.9%*	*6.6%*	*10.2%*		
Extraordinary Results	-	-	-	0.5	-	-	-	-		
Profit Before Tax	**32.1**	**28.7**	**22.7**	**19.2**	**13.5**	**18.0**	**19.1**	**21.1**	***-19.5%***	***16.0%***
Tax Expense	(9.6)	(8.8)	(7.4)	(6.0)	(4.1)	(5.5)	(5.8)	(6.4)		
Effective Tax Rate	*30.0%*	*30.7%*	*32.4%*	*31.4%*	*30.5%*	*30.5%*	*30.5%*	*30.5%*		
Minority Interests	0.0	0.0	0.0	0.1	(0.0)	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	**22.5**	**19.9**	**15.4**	**13.3**	**9.4**	**12.5**	**13.3**	**14.6**	***-19.7%***	***16.0%***
Net Profit growth	*-1.6%*	*-11.8%*	*-22.6%*	*-13.8%*	*-29.3%*	*33.0%*	*6.6%*	*10.2%*		
Ordinary Net Profit	**22.7**	**20.7**	**15.9**	**13.3**	**9.4**	**12.6**	**13.4**	**14.8**	***-19.7%***	***16.1%***
Ordinary Net Profit growth	*-3.2%*	*-8.7%*	*-23.4%*	*-16.4%*	*-29.0%*	*33.5%*	*6.6%*	*10.2%*		

									CAGR	
Cash Flow (EUR Mn)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**	**16-20**	**20-23e**
Recurrent EBITDA						**20.3**	**21.4**	**23.3**	***-14.6%***	***10.3%***
Rentals (IFRS 16 impact)						(1.7)	(1.7)	(1.7)		
Working Capital Increase						(0.1)	0.3	0.1		
Recurrent Operating Cash Flow						**18.5**	**20.0**	**21.7**	***-12.5%***	***13.8%***
CAPEX						(0.8)	(1.0)	(1.0)		
Net Financial Result affecting the Cash Flow						0.0	0.0	0.0		
Tax Expense						(5.5)	(5.8)	(6.4)		
Recurrent Free Cash Flow						**12.2**	**13.2**	**14.3**	***-9.2%***	***13.8%***
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						**12.2**	**13.2**	**14.3**	***-4.7%***	***6.3%***
Capital Increase						-	-	-		
Dividends						-	(11.8)	(12.2)		
Net Debt Variation						**(12.2)**	**(1.4)**	**(2.1)**		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 3.5Mn higher due to IFRS 16.

Appendix 2. Free Cash Flow[1]

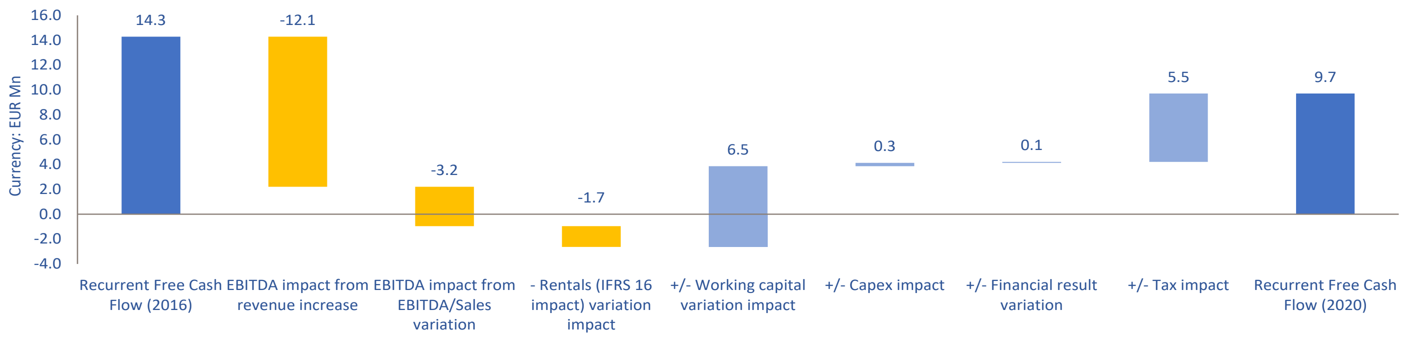
A) Cash Flow Analysis (EUR Mn)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR 17-20	CAGR 20-23e
Recurrent EBITDA	**30.3**	**23.2**	**23.1**	**17.4**	**20.3**	**21.4**	**23.3**	*-16.9%*	*10.3%*
Recurrent EBITDA growth	*-7.2%*	*-23.4%*	*-0.3%*	*-24.8%*	*16.6%*	*5.6%*	*9.0%*		
Rec. EBITDA/Revenues	*31.7%*	*26.2%*	*28.1%*	*30.9%*	*31.5%*	*31.5%*	*32.0%*		
- Rentals (IFRS 16 impact)	-	-	(3.3)	(1.7)	(1.7)	(1.7)	(1.7)		
+/- Working Capital increase	(5.1)	4.5	2.4	(1.0)	(0.1)	0.3	0.1		
= Recurrent Operating Cash Flow	**25.2**	**27.7**	**22.2**	**14.7**	**18.5**	**20.0**	**21.7**	*-16.4%*	*13.8%*
Rec. Operating Cash Flow growth	*0.2%*	*9.9%*	*-19.9%*	*-33.7%*	*25.5%*	*8.4%*	*8.4%*		
Rec. Operating Cash Flow / Sales	*26.4%*	*31.3%*	*27.0%*	*26.2%*	*28.7%*	*29.5%*	*29.8%*		
- CAPEX	(1.3)	(0.7)	(0.9)	(0.9)	(0.8)	(1.0)	(1.0)		
- Net Financial Result affecting Cash Flow	(0.0)	(0.0)	(0.2)	(0.0)	0.0	0.0	0.0		
- Taxes	(8.8)	(7.4)	(6.0)	(4.1)	(5.5)	(5.8)	(6.4)		
= Recurrent Free Cash Flow	**15.0**	**19.6**	**15.1**	**9.7**	**12.2**	**13.2**	**14.3**	*-13.6%*	*13.8%*
Rec. Free Cash Flow growth	*5.2%*	*30.4%*	*-22.9%*	*-35.7%*	*25.9%*	*7.9%*	*8.4%*		
Rec. Free Cash Flow / Revenues	*15.8%*	*22.1%*	*18.3%*	*17.3%*	*19.0%*	*19.4%*	*19.6%*		
- Restructuring expenses & others	(0.8)	(0.2)	0.0	0.2	-	-	-		
- Acquisitions / + Divestments	0.3	1.3	(0.9)	2.0	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	0.5	-	-	-	-		
= Free Cash Flow	**14.6**	**20.8**	**14.7**	**11.9**	**12.2**	**13.2**	**14.3**	*-6.5%*	*6.3%*
Free Cash Flow growth	*1.1%*	*42.6%*	*-29.0%*	*-19.4%*	*2.9%*	*7.9%*	*8.4%*		
Recurrent Free Cash Flow - Yield (s/Mkt Cap)	*15.4%*	*20.0%*	*15.4%*	*9.9%*	*12.5%*	*13.5%*	*14.6%*		
Free Cash Flow Yield (s/Mkt Cap)	*14.9%*	*21.2%*	*15.1%*	*12.2%*	*12.5%*	*13.5%*	*14.6%*		

B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)	2017	2018	2019	2020	2021e	2022e	2023e
Recurrent FCF(FY - 1)	**14.3**	**15.0**	**19.6**	**15.1**	**9.7**	**12.2**	**13.2**
EBITDA impact from revenue increase	(0.9)	(2.2)	(1.6)	(7.3)	2.5	1.1	1.6
EBITDA impact from EBITDA/Sales variation	(1.4)	(4.9)	1.6	1.6	0.4	0.0	0.3
= Recurrent EBITDA variation	**(2.3)**	**(7.1)**	**(0.1)**	**(5.7)**	**2.9**	**1.1**	**1.9**
- Rentals (IFRS 16 impact) variation impact	-	-	(3.3)	1.6	-	-	-
+/- Working capital variation impact	2.4	9.6	(2.2)	(3.3)	0.9	0.4	(0.2)
= Recurrent Operating Cash Flow variation	**0.1**	**2.5**	**(5.5)**	**(7.5)**	**3.8**	**1.6**	**1.7**
+/- CAPEX impact	(0.2)	0.6	(0.2)	0.0	0.1	(0.2)	-
+/- Financial result variation	0.1	0.0	(0.2)	0.2	0.0	-	0.0
+/- Tax impact	0.8	1.4	1.3	1.9	(1.4)	(0.4)	(0.6)
= Recurrent Free Cash Flow variation	**0.7**	**4.6**	**(4.5)**	**(5.4)**	**2.5**	**1.0**	**1.1**
Recurrent Free Cash Flow	**15.0**	**19.6**	**15.1**	**9.7**	**12.2**	**13.2**	**14.3**

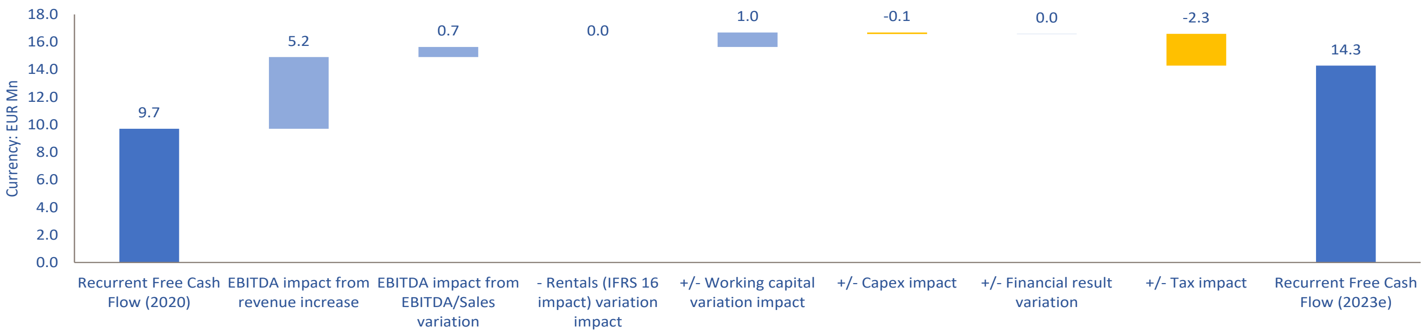
C) "FCF to the Firm" (pre debt service) (EUR Mn)	2017	2018	2019	2020	2021e	2022e	2023e	CAGR 17-20	CAGR 20-23e
EBIT	**28.3**	**22.1**	**18.6**	**14.2**	**17.6**	**18.8**	**20.7**	*-20.6%*	*13.4%*
** Theoretical Tax rate*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*	*30.0%*		
= Taxes (pre- Net Financial Result)	(8.5)	(6.6)	(5.6)	(4.3)	(5.3)	(5.6)	(6.2)		
Recurrent EBITDA	**30.3**	**23.2**	**23.1**	**17.4**	**20.3**	**21.4**	**23.3**	*-16.9%*	*10.3%*
- Rentals (IFRS 16 impact)	-	-	(3.3)	(1.7)	(1.7)	(1.7)	(1.7)		
+/- Working Capital increase	(5.1)	4.5	2.4	(1.0)	(0.1)	0.3	0.1		
= Recurrent Operating Cash Flow	**25.2**	**27.7**	**22.2**	**14.7**	**18.5**	**20.0**	**21.7**	*-16.4%*	*13.8%*
- CAPEX	(1.3)	(0.7)	(0.9)	(0.9)	(0.8)	(1.0)	(1.0)		
- Taxes (pre- Financial Result)	(8.5)	(6.6)	(5.6)	(4.3)	(5.3)	(5.6)	(6.2)		
= Recurrent Free Cash Flow (To the Firm)	**15.4**	**20.3**	**15.7**	**9.6**	**12.4**	**13.4**	**14.5**	*-14.6%*	*14.8%*
Rec. Free Cash Flow (To the Firm) growth	*5.5%*	*32.1%*	*-22.7%*	*-39.0%*	*29.5%*	*7.9%*	*8.3%*		
Rec. Free Cash Flow (To the Firm) / Revenues	16.1%	22.9%	19.1%	17.1%	19.3%	19.7%	19.9%		
- Acquisitions / + Divestments	0.3	1.3	(0.9)	2.0	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	0.5	-	-	-	-		
= Free Cash Flow "To the Firm"	**15.7**	**21.7**	**15.4**	**11.6**	**12.4**	**13.4**	**14.5**	*-9.7%*	*7.7%*
Free Cash Flow (To the Firm) growth	*5.1%*	*37.8%*	*-29.2%*	*-24.4%*	*7.1%*	*7.9%*	*8.3%*		
Rec. Free Cash Flow To the Firm Yield (o/EV)	*18.3%*	*24.2%*	*18.7%*	*11.4%*	*14.8%*	*15.9%*	*17.3%*		
Free Cash Flow "To the Firm" - Yield (o/EV)	*18.7%*	*25.8%*	*18.3%*	*13.8%*	*14.8%*	*15.9%*	*17.3%*		

Note 1: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 3.5Mn higher due to IFRS 16.

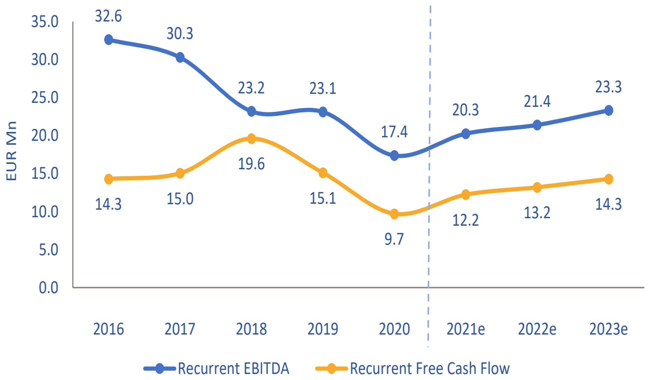
Recurrent Free Cash Flow accumulated variation analysis (2016 - 2020)



Recurrent Free Cash Flow accumulated variation analysis (2020 - 2023e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward

Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	97.8	
+ Minority Interests	0.1	12m Results 2020
+ Provisions & Other L/T Liabilities	3.8	12m Results 2020
+ Net financial debt	(17.0)	12m Results 2020
- Financial Investments	0.6	12m Results 2020
+/- Others		
Enterprise Value (EV)	**84.0**	

Appendix 4. Historical performance(1)(2)

Historical performance (EUR Mn)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**	**CAGR 14-20**	**CAGR 20-23e**
Total Revenues					**96.4**	**96.6**	**98.3**	**95.4**	**88.7**	**82.4**	**56.2**	**64.3**	**67.9**	**72.9**	***-8.6%***	***9.0%***
Total Revenues growth					*n.a.*	*0.2%*	*1.8%*	*-2.9%*	*-7.1%*	*-7.1%*	*-31.7%*	*14.3%*	*5.6%*	*7.4%*		
EBITDA					**33.7**	**33.6**	**32.4**	**29.4**	**23.3**	**22.9**	**17.4**	**20.3**	**21.4**	**23.3**	***-10.4%***	***10.2%***
EBITDA growth					*n.a.*	*-0.2%*	*-3.7%*	*-9.3%*	*-20.8%*	*-1.4%*	*-24.0%*	*16.2%*	*5.6%*	*9.0%*		
EBITDA/Sales					*34.9%*	*34.8%*	*32.9%*	*30.8%*	*26.2%*	*27.8%*	*31.0%*	*31.5%*	*31.5%*	*32.0%*		
Net Profit					**22.6**	**22.9**	**22.5**	**19.9**	**15.4**	**13.3**	**9.4**	**12.5**	**13.3**	**14.6**	***-13.6%***	***16.0%***
Net Profit growth					*n.a.*	*1.3%*	*-1.6%*	*-11.8%*	*-22.6%*	*-13.8%*	*-29.3%*	*33.0%*	*6.6%*	*10.2%*		
Adjusted number shares (Mn)					60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0		
EPS (EUR)					0.38	0.38	0.38	0.33	0.26	0.22	0.16	0.21	0.22	0.24	*-13.6%*	*16.0%*
EPS growth					*n.a.*	*1.3%*	*-1.6%*	*-11.8%*	*-22.6%*	*-13.8%*	*-29.3%*	*33.0%*	*6.6%*	*10.2%*		
Ord. EPS (EUR)					0.38	0.38	0.38	0.35	0.26	0.22	0.16	0.21	0.22	0.25	*-13.6%*	*16.1%*
Ord. EPS growth					*n.a.*	*1.8%*	*-1.3%*	*-8.7%*	*-23.4%*	*-16.4%*	*-29.0%*	*33.5%*	*6.6%*	*10.2%*		
CAPEX					(3.1)	(0.9)	(1.2)	(1.3)	(0.7)	(0.9)	(0.9)	(0.8)	(1.0)	(1.0)		
CAPEX/Sales %)					*3.2%*	*0.9%*	*1.2%*	*1.4%*	*0.8%*	*1.1%*	*1.6%*	*1.2%*	*1.5%*	*1.4%*		
Free Cash Flow					**38.9**	**30.9**	**14.4**	**14.6**	**20.8**	**14.7**	**11.9**	**12.2**	**13.2**	**14.3**	**-17.9%**	**6.3%**
ND/EBITDA (x)(3)					*0.0x*	*-0.4x*	*-0.4x*	*-0.2x*	*-0.2x*	*-0.2x*	*-1.0x*	*-1.4x*	-1.4x	-1.4x		
P/E (x)					*n.a.*	*10.1x*	*12.7x*	*12.2x*	*6.2x*	*9.0x*	*9.9x*	*7.8x*	7.4x	6.7x		
EV/Sales (x)					*n.a.*	*2.25x*	*2.76x*	*2.41x*	*1.02x*	*1.39x*	*1.57x*	*1.31x*	1.24x	1.15x		
EV/EBITDA (x)(3)					*n.a.*	*6.5x*	*8.4x*	*7.8x*	*3.9x*	*5.0x*	*5.1x*	*4.1x*	3.9x	3.6x		

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Refinitiv.
Note 2: Financial projections include IFRS 16 adjustments. FY 19 EBITDA is c. EUR 3.5Mn higher due to IFRS 16.
Note 3: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2021e

		Weight Management				Diet Supplements			
	EUR Mn	**Herbalife Nut.**	**Medifast**	**WW Intl.**	**Average**	**Nu Skin**	**Glanbia**	**Average**	**NTH**
Market data	**Ticker (Reuters)**	HLF	MED	WW.O		NUS	GL9.I		NTH.MC
	Country	Cayman Isl.	USA	USA		USA	Ireland		Spain
	Market cap	4,548.0	2,308.5	1,673.9		2,241.5	3,675.8		97.8
	Enterprise value (EV)	5,699.0	2,163.3	2,772.6		2,146.6	4,274.4		84.0
Basic financial information	**Total Revenues**	5,027.5	989.0	1,139.6		2,324.1	3,884.8		64.3
	Total Revenues growth	*9.0%*	*27.1%*	*-0.6%*	*11.8%*	*8.2%*	*1.6%*	*4.9%*	*14.3%*
	2y CAGR (2021e - 2023e)	*n.a.*	*n.a.*	*5.9%*	*5.9%*	*0.9%*	*4.7%*	*2.8%*	*6.5%*
	EBITDA	758.7	150.7	290.5		329.6	300.9		20.3
	EBITDA growth	*23.0%*	*21.9%*	*14.9%*	*20.0%*	*19.4%*	*6.6%*	*13.0%*	*16.2%*
	2y CAGR (2021e - 2023e)	*n.a.*	*n.a.*	*4.7%*	*4.7%*	*-4.0%*	*8.4%*	*2.2%*	*7.3%*
	EBITDA/Revenues	*15.1%*	*15.2%*	*25.5%*	*18.6%*	*14.2%*	*7.7%*	*11.0%*	*31.5%*
	EBIT	648.9	141.6	229.7		244.6	196.9		17.6
	EBIT growth	*21.7%*	*20.4%*	*9.1%*	*17.1%*	*14.1%*	*25.0%*	*19.6%*	*24.3%*
	2y CAGR (2021e - 2023e)	*n.a.*	*n.a.*	*8.7%*	*8.7%*	*3.1%*	*10.2%*	*6.7%*	*8.4%*
	EBIT/Revenues	*12.9%*	*14.3%*	*20.2%*	*15.8%*	*10.5%*	*5.1%*	*7.8%*	*27.4%*
	Net Profit	421.7	109.8	111.1		173.7	225.0		12.5
	Net Profit growth	*36.0%*	*28.3%*	*77.9%*	*47.4%*	*9.1%*	*56.5%*	*32.8%*	*33.0%*
	2y CAGR (2021e - 2023e)	*13.2%*	*n.a.*	*18.6%*	*15.9%*	*10.2%*	*10.3%*	*10.2%*	*8.4%*
	CAPEX/Sales %	*2.6%*	*1.4%*	*2.0%*	*2.0%*	*2.7%*	*2.1%*	*2.4%*	*1.2%*
	Free Cash Flow	449.4	79.3	124.2		185.2	154.3		12.2
	Net financial debt	1,608.8	(182.3)	1,006.5		(106.9)	518.9		(29.3)
	ND/EBITDA (x)	2.1	(1.2)	3.5	1.5	(0.3)	1.7	0.7	(1.4)
	Pay-out	*0.0%*	*48.1%*	*0.0%*	*16.0%*	*38.1%*	*36.0%*	*37.0%*	*0.0%*
Multiples and Ratios	**P/E (x)**	10.0	21.2	15.9	15.7	13.4	15.9	14.7	7.8
	P/BV (x)	n.a.	n.a.	n.a.	n.a.	2.9	2.2	2.5	2.5
	EV/Revenues (x)	1.1	2.2	2.4	1.9	0.9	1.1	1.0	1.3
	EV/EBITDA (x)	7.5	14.4	9.5	10.5	6.5	14.2	10.4	4.1
	EV/EBIT (x)	8.8	15.3	12.1	12.0	8.8	21.7	15.2	4.8
	ROE	*n.a.*	*71.5*	*n.a.*	*71.5*	*22.8*	*13.6*	*18.2*	*38.7*
	FCF Yield (%)	*9.9*	*3.4*	*7.4*	*6.9*	*8.3*	*4.2*	*6.2*	*12.5*
	DPS	*0.00*	*4.49*	*0.00*	*1.50*	*1.27*	*0.27*	*0.77*	*0.00*
	Dvd Yield	*0.0%*	*2.3%*	*0.0%*	*0.8%*	*2.8%*	*2.2%*	*2.5%*	*0.0%*

Note 1: Financial data, multiples and ratios based on market consensus (Refinitiv). In the case of the company analyzed, own estimates (Lighthouse).
Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Notes and Reports History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
23-Apr-2021	n.a.	1.63	n.a.	n.a.	Initiation of Coverage	Ana Isabel González García, CIIA